

1 HOUSE BILL NO. 212

2 INTRODUCED BY J. SHOCKLEY

3 BY REQUEST OF THE LAW AND JUSTICE INTERIM COMMITTEE

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5 A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING THE REQUIREMENT THAT AN AWARD OF
6 PUNITIVE DAMAGES MUST BE UNANIMOUS AS TO LIABILITY AND AMOUNT; AMENDING SECTION
7 27-1-221, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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9 WHEREAS, in *Finstad v. W.R. Grace & Co.*, 2000 MT 228, 301 Mont. 240, 8 P.3d 778 (2000), the
10 Montana Supreme Court held that the portion of section 27-1-221(6), MCA, which requires that an award of
11 punitive damages must be unanimous as to liability and amount, violates Article II, section 26, of the Montana
12 Constitution, guaranteeing a verdict by a two-thirds majority in all civil cases.

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14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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16 **Section 1.** Section 27-1-221, MCA, is amended to read:

17 **"27-1-221. Punitive damages -- liability -- proof -- award.** (1) Subject to the provisions of 27-1-220
18 and this section, reasonable punitive damages may be awarded when the defendant has been found guilty of
19 actual fraud or actual malice.

20 (2) A defendant is guilty of actual malice if the defendant has knowledge of facts or intentionally
21 disregards facts that create a high probability of injury to the plaintiff and:

22 (a) deliberately proceeds to act in conscious or intentional disregard of the high probability of injury to
23 the plaintiff; or

24 (b) deliberately proceeds to act with indifference to the high probability of injury to the plaintiff.

25 (3) A defendant is guilty of actual fraud if the defendant:

26 (a) makes a representation with knowledge of its falsity; or

27 (b) conceals a material fact with the purpose of depriving the plaintiff of property or legal rights or
28 otherwise causing injury.

29 (4) Actual fraud exists only when the plaintiff has a right to rely upon the representation of the defendant
30 and suffers injury as a result of that reliance. The contract definitions of fraud expressed in Title 28, chapter 2,

1 do not apply to proof of actual fraud under this section.

2 (5) All elements of the claim for punitive damages must be proved by clear and convincing evidence.
3 Clear and convincing evidence means evidence in which there is no serious or substantial doubt about the
4 correctness of the conclusions drawn from the evidence. It is more than a preponderance of evidence but less
5 than beyond a reasonable doubt.

6 (6) Liability for punitive damages must be determined by the trier of fact, whether judge or jury. ~~An~~
7 ~~award of punitive damages must be unanimous as to liability and amount.~~

8 (7) (a) Evidence regarding a defendant's financial affairs, financial condition, and net worth is not
9 admissible in a trial to determine whether a defendant is liable for punitive damages. When the jury returns a
10 verdict finding a defendant liable for punitive damages, the amount of punitive damages must then be
11 determined by the jury in an immediate, separate proceeding and be submitted to the judge for review as
12 provided in subsection (7)(c). In the separate proceeding to determine the amount of punitive damages to be
13 awarded, the defendant's financial affairs, financial condition, and net worth must be considered.

14 (b) When an award of punitive damages is made by the judge, the judge shall clearly state the reasons
15 for making the award in findings of fact and conclusions of law, demonstrating consideration of each of the
16 following matters:

17 (i) the nature and reprehensibility of the defendant's wrongdoing;

18 (ii) the extent of the defendant's wrongdoing;

19 (iii) the intent of the defendant in committing the wrong;

20 (iv) the profitability of the defendant's wrongdoing, if applicable;

21 (v) the amount of actual damages awarded by the jury;

22 (vi) the defendant's net worth;

23 (vii) previous awards of punitive or exemplary damages against the defendant based upon the same
24 wrongful act;

25 (viii) potential or prior criminal sanctions against the defendant based upon the same wrongful act; and

26 (ix) any other circumstances that may operate to increase or reduce, without wholly defeating, punitive
27 damages.

28 (c) The judge shall review a jury award of punitive damages, giving consideration to each of the matters
29 listed in subsection (7)(b). If after review the judge determines that the jury award of punitive damages should
30 be increased or decreased, the judge may do so. The judge shall clearly state the reasons for increasing,

1 decreasing, or not increasing or decreasing the punitive damages award of the jury in findings of fact and
2 conclusions of law, demonstrating consideration of each of the factors listed in subsection (7)(b).

3 (8) This section is not intended to alter the Montana Rules of Civil Procedure governing discovery of
4 a defendant's financial affairs, financial condition, and net worth."

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6 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

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